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Chain Store Age

GENERAL MERCHANDISE TRENDS

JUNE 1986

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June 1986

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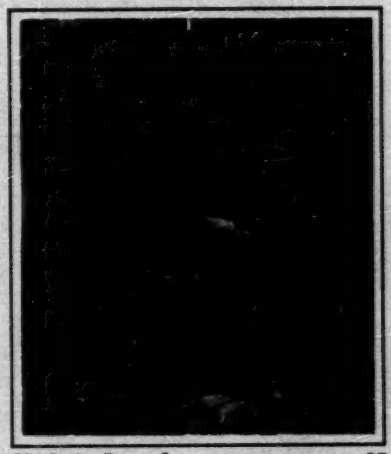

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FIRMS WITH TIGHT MANAGERIAL REINS

TRIUMPHED

1985 was not a great year for many retailers, but those that successfully controlled growth had a superb year. The winners proved that careful expansion is profitable.

***Although 1985 was considered a disappointment,** discounters fared better than dept. stores.*

If there is one lesson that can be extracted from the disappointment of 1985 it is that those companies with superior systems and management can weather extraordinary events, be they economic doldrums or rapid expansion.

The struggle to integrate acquisitions hardly raised a sweat on the balance sheet brow of such stellar performers as The Limited, Dillard's Dept. Stores and Zayre Corp.

The Limited's net income was not limited by its Lerner's acquisition. It pushed ahead 77% to $48 million.

Dillard's bit off two big chunks during the last two years—Stix, Baer & Fuller in 1984 and Diamond's/John A. Brown in 1985. Its success in absorbing these units gave it the confidence to purchase earlier this year Macy's Midwest operation.

Zayre acquired 31 Gaylord stores, allowing the discount division to enter several new markets including New Orleans. Operating income of the discount stores still increased 16.1%.

Even without acquisitions, some companies demonstrated their vigor. Wal-Mart's juggernaut generated a 22% increase in store space, 32% more sales and 20.9% more net earnings.

Target's gross square footage went up a mere 6.4%, but sales were up 10.7% and operating income advanced 17.9%.

Growth did not always produce the desired short term effect. After buying the 35-store Maloney's chain, Heck's found that its systems did not keep pace with its growth. Instead of returning to profitability last year, Heck's lost $4.9 million. The losses continued into the first quarter as the Nitro, W. Va.-based company reported a $4.3 million loss vs. a $1.6 million loss a year ago.

Bradlees, too, fell victim to growth as well as growing pains. Its operating income plummeted by 64% after completing the largest ex-

Top 15 retailers dragged down by Big 3 and K mart

Company	1984 Volume (000 omitted)	1985 Volume (000 omitted)	% Sales gain	1984 Earnings (000 omitted)	1985 Earnings (000 omitted)	% Earnings change	Earnings as % of sales
1. Sears, Roebuck	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2. K mart	21,000,000	22,420,000	+ 6.8	498,700	471,200	– 5.5	2.1
3. J. C. Penney	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4. Dayton Hudson	8,000,000	8,793,400	+ 9.8	259,345	283,920	+ 9.4	3.2
5. Wal-Mart	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6. Federated[2]	7,961,000	8,164,427	+ 2.5	951,000	960,000	+ 1.4	6.1
7. R. H. Macy[3]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8. Montgomery Ward	6,495,000	5,383,000	–17.1	53,000	42,000	–20.8	0.8
9. May Dept. Stores	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10. Melville	4,261,627	4,774,000	+12.0	190,386	216,812	+16.7	4.4
11. Associated Dry Goods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12. R. H. Macy	4,065,189	4,380,400	+ 7.8	221,000	189,316	–14.6	4.3
13. Allied Stores	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14. Zayre Corp.	3,191,172	4,030,018	+26.5	78,033	94,647	+21.3	2.3
15. Carter Hawley Hale[3]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals and averages	121,748,143	128,123,453	+ 5.2	3,957,157	3,883,361	– 2.1	3.0

[1]U.S. and international retailing only
[2]General merchandise sales and operating earnings only
[3]Continuing operations only
Source: *Chain Store Age* research/annual reports

pansion program in its history with 26 new stores equaling 23% more selling area.

Though Bradlees executives often call their chain "the department store with a difference," namely low prices, management hinted in the annual report that the price image is not universally inferred by customers. "We feel that it is important for Bradlees to be recognized as a *discount* [emphasis added] company presenting value-oriented merchandise to customers," the report states.

Price competitiveness will be emphasized on everyday and promotional goods, programs that management admits will not increase profits in the short term.

By contrast, Target's low everyday pricing strategy implemented last year did not reduce that discounter's gross margin or profit.

Though merchandising clearly has a major impact on the ability of a company to pull dollars through the store system, it is the behind the scenes network that is translating those sales into profits.

William Dillard, chairman/ceo of Dillard's, acknowledged that by crediting the company's success to the accounting, data processing and accounts receivable departments before mentioning merchandising programs. Overall, Dillard's selling, general and administrative expenses, including advertising, went up a scant 0.2% to 25.7% of sales last year.

The top 10 publicly owned electronics chains, 1985

Company	1984 Sales*	1984 Stores	1985 Sales*	1985 Stores	% Sales change
Tandy (Fort Worth)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Circuit City (Richmond)	519,214	96	705,490	75	+35.9
Highland (Taylor, Mich.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Silo (Philadelphia)[1]	321,500	97	472,500	128	+47.0
Federated Group (City of Commerce, Calif.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lechmere (Woburn, Mass.)	280,260	8	348,000	10	+24.5
Crazy Eddie (Brooklyn, N.Y.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fretter (Livonia, Mich.)	118,450	27	214,264	39	+94.9
Audio-Video Associates (Dayton, Ohio)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newmark and Lewis (Hicksville, N.Y.)	112,357	23	141,500	34	+26.0
Totals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*'000 omitted [1]*Chain Store Age* estimates
Source: *Chain Store Age* research/annual reports

Even Dillard's sharp eye on expenses could not match that of Mercantile Dept. Stores. Mercantile squeezed its SG&A down to 21.5% of sales from the prior year's 22.1%.

It is significant to note that the two best performing department store chains, Mercantile and Dillard's, and two of the three top discounters, Wal-Mart and Ames, have staked out markets that are smaller than many of those courted by the more glamorous companies such as Federated, Venture or Carter Hawley Hale.

Dillard's was the top ranked company in five of the nine financial yardsticks analyzed by *Chain Store Age*. Only in average sales per store, sales per gross square foot, and operating income per gross square foot did it lag.

(The nine yardsticks *CSA* uses measure not only year-to-year performance but also long term sales and operating earnings growth. On a year-to-year basis *CSA* measures sales and operating income gains, operating income as a per cent of sales, average store sales, sales and operating income per average gross square foot, and operating income return on end of year total assets. To gauge long term performance, five year compound growth rates are

computed for sales and operating income.

Wherever possible, *CSA* uses figures that represent the different formats of retailing within diversified companies. For example, only department store results are included in the Dayton Hudson analysis appearing in the department store chart.)

Mercantile ranked right behind the leaders in all areas. Its $180 in sales per gross square foot and $18.85 in operating income per gross square foot more than amply demonstrated that mid-size city markets can still produce sizable returns.

Wal-Mart, of course, has been proving that verity for years. Noteworthy is its $9.6 million per store average volume, double that of Ames, another small town operator.

As a group, the Top 15 general merchandise retailers posted a miserable year. Sales increased just 5.2%, earnings declined 2.1%, while the earnings to sales ratio slipped to 3.0% from 3.6% a year ago. Almost all of the reduction, however, can be attributed to the $190 million shortfall in Sears' bottom line. Had Sears been able to match last year's earnings the Top 15's totals would have remained virtually unaltered.

The composition and order of the Top 15 changed year to year. The top four slots remained the same. Wal-Mart leapfrogged from seventh to fifth place. Montgomery Ward toppled from sixth to eighth.

Carter Hawley Hale dropped to 15th from 13th, while BATUS fell off the list, replaced by Zayre Corp.

Unless Sears makes some dramatic acquisitions or major startups this year, it may well be surpassed by K mart Corp. as the No. 1 retail company in the world. Though the Sears general merchandise chain probably still would be larger than the K mart discount division, corporately K mart would be larger.

Department stores as a class experienced what can only be described as a disappointing year compared to 1984.

In seven of the nine yardsticks analyzed, department stores as a group recorded lower figures. Only in average store sales and sales per square foot, yardsticks that almost always will rise, did improvements show up. But even these improvements were lackluster. Average store sales inched up just 3.3%. Sales per square foot edged up even less, just 2.3%. Overall sales improved 5.2%.

Discount stores fared better. Their average store sales and sales per square foot increases of 2.4% and 2.2%, respectively, were anemic. But they did manage to increase their operating income per

Dillard's and Mercantile lead department store field

Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Allied	+ 2.9	– 2.2	7.6	$ 9,499,199	$167	$12.69	11.2	+ 8.1	+ 10.9
Assoc. Dry Goods[1]	+ 7.1	– 5.7	8.3	17,349,251	118	9.10	10.8	+ 4.8	+ 6.6
Carter Hawley Hale[1]	+ 5.1	+28.7	7.0	20,840,000	127	8.89	9.3	+ 3.8	+ 9.4
Dayton Hudson[1]	– 6.6	+14.2	8.4	30,998,493	183	15.42	16.5	+ 3.8	+ 8.3
Dillard's	+25.3	+22.4	10.6	14,898,000	160	13.53	20.1	+ 20.7	+ 28.1
Federated[1]	+ 1.8	+ 0.4	9.3	30,247,511	149	13.87	14.9	+ 7.6	+ 8.6
R. H. Macy	+ 7.6	– 3.5	10.4	49,740,261	181	18.88	19.3	+ 6.6	+ 14.4
May Co.[1]	+ 4.9	+ 1.9	10.4	22,945,517	128	12.51	15.3	+ 7.1	+ 9.2
Mercantile	+10.1	+28.8	10.6	23,707,000	180	18.98	17.1	+ 11.4	+ 17.1
Composite	+ 5.2	+ 2.1	8.9	23,776,459	135	12.13	16.2	+ 9.9	+10.2

[1]Department stores only
Source: *Chain Store Age* research/annual reports

Sears, Penney, Ward slip in most year to year comparisons

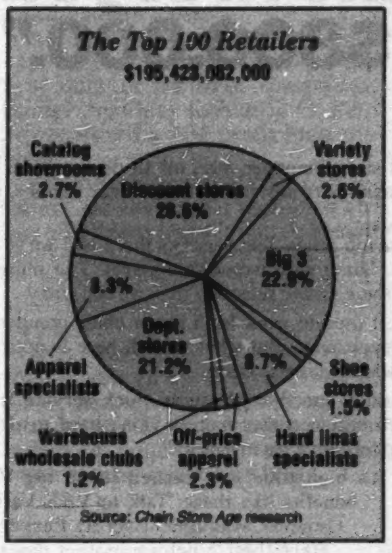
Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Penney	+ 2.2	+ 0.9	7.7	$12,640,172[2]	$ 89[2]	$6.84	10.8	+ 3.9	+ 10.6
Sears[1]	– 0.6	–37.2	3.3	19,431,163[2]	139[2]	6.43	8.7	+5.1	+12.9
Ward	–17.9	–16.1	5.2	13,894,199[2]	99[2]	5.91	12.1	+ 5.1	+ 10.3
Composite	– 2.2	–18.5	5.4	15,776,243[2]	115[2]	7.78	9.9	+3.9	+12.3

[1]U.S. Merchandising [2]Excludes catalog sales [3]Metro stores
Source: *Chain Store Age* research/annual reports

Bradlees slips while Wal-Mart, Target and Zayre push on

Company	% change sales	% change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. ROA	% change compound sales '80-'85	% change compound op. inc. '80-'85
Ames	+24.8	+62.1	10.5	$ 4,982,370	$ 87	$ 9.09	19.1	+ 35.6	+ 62.4
Bradlees	+15.3	– 64.6	1.9	11,259,396	133	2.53	5.1	+28.6	+14.3
Gold Circle/ Fairway	– 0.2	+12.6	3.7	10,478,430	182	6.67	10.6	+ 9.1	+ 9.4
Hock's	+14.1	—	—	3,205,150	79	—	—	+13.9	—
Jesse/Jamy	+16.4	– 20.1	5.5	5,814,541	98	5.39	9.7	+ 9.1	+ 7.1
K mart[1]	+ 9.9	– 3.9	5.3	9,696,391	144	7.23	13.4	+ 8.1	+10.1
Kuhn's	+ 8.8	– 10.7	4.3	3,884,111	90	4.68	10.6	+ 8.1	+ 8.1
Target	+10.7	+17.9	7.1	17,629,932	161	12.78	18.3	+26.7	+25.0
Venture	+13.5	+10.1	5.6	8,000,000	140	8.00	14.3	+ 13.5	+ 10.1
Wal-Mart	+24.2[1]	+21.7	7.2	9,569,832[1]	172[1]	13.62	19.5	+38.8	+42.2
Zayre[1]	+25.1	+16.1	5.4	5,114,700	110	6.00	12.1	+ 22.1	+ 22.1
Composite	+ 8.4	+ 5.9	5.7	9,366,651	142	8.09	14.8	+14.2	+23.8

[1]Discount stores only
Source: *Chain Store Age* research/annual reports



gross square foot figure by 11.9%. In addition their return on assets and five year compound earnings gain came in higher than a year ago.

A review of the diversified retailers with department and discount store operations reveals why Dayton Hudson Corp. is bullish on discounting and why Federated and May Co. are more attuned to department stores.

Target's operating income return on assets was 18.3% last year compared to the Dayton Hudson department stores' return of 16.5%.

At the May Co., department stores outscored Venture on return on assets, 15.3% to 13.0%. And at Federated, the department store group pulled in 14.9%. ROA vs. 10.0% for Gold Circle/Richway. An indication of Federated's commitment to its discount division can be seen in the fact that chairman Howard Goldfeder, in commenting on growth opportunities, said, "We plan to devote our energies and resources to continued expansion of our Ralph's, MainStreet and Filene's Basement divisions. . . . We believe these divisions are positioned to offer significant growth and earnings potential to Federated in the years to come." No mention was made of Gold Circle.

Through the first three months of the current fiscal year retailers tracked by *Chain Store Age* have increased their sales 8.3%. That is below the 9.0% of a year ago.

Already the shock waves are being felt. First quarter earnings for Sears U.S. Merchandising plummeted from an $8.3 million profit to

Top 100 chain stores, 1985

Rank	Company	1984 Sales (000 omitted)	1984 Stores	1985 Sales (000 omitted)	1985 Stores	% Sales change
1	Sears[1] (Chicago)	$24,814,000	798	$24,454,000	799	– 0.7
2	K mart[2] (Troy, Mich.)	21,096,000	3,520	22,420,000	3,848	+ 6.3
	• K mart	20,410,000	2,173	20,114,000	2,188	– 1.5
	• Pay Less Drug	220,000	164	1,003,000	183	+ 9.6
	• Waldenbooks	450,000	888	488,000	965	+ 8.7
	• Builders Square	196,000	15	385,000	30	+ 92.1
	• Designer Depot	131,000	53	156,717	73	+ 18.8
3	J. C. Penney (N.Y.)	13,451,000	1,994	13,747,000	1,909	+ 2.2
4	Dayton Hudson (Minneapolis)	8,099,000	1,136	8,793,400	1,206	+ 9.6
	• Target	3,550,100	215	3,931,500	228	+ 10.7
	• Mervyn's	2,141,100	128	2,527,000	148	+ 18.0
	• Dayton Hudson	1,396,000	36	1,447,000	37	+ 3.7
	• B. Dalton	409,000	751	538,100	785	+ 9.0
	• Lechmere	200,200	6	349,000	10	+ 24.5
5	Wal-Mart (Bentonville, Ark.)	8,498,861	756	9,451,400	882	+ 32.0
	• Wal-Mart	8,179,275	745	7,675,000	859	+ 24.2
	• Sam's Wholesale	221,586	11	776,453	23	+250.4
6	Federated[3] (Cincinnati)	7,961,036	463	8,184,427	477	+ 2.8
	• Gold Circle/Richway	1,859,900	81	1,857,900	76	– 0.2
	• Bloomingdale's	963,000	15	955,200	15	+ 5.8
	• Lazarus	834,500	31	856,200	31	+ 2.6
	• Abraham & Straus	781,000	15	767,500	15	– 1.7
	• Burdines	691,500	28	757,500	29	+ 9.5
	• Bullock's	673,000	28	712,300	27	+ 5.7
	• Foley's	662,400	17	660,300	17	– 0.3
	• Rich's	662,000	18	647,000	17	+ 7.5
	• Sanger Harris/Levy's	447,400	18	456,700	18	+ 8.7
	• Filene's	328,400	15	353,500	16	+ 7.8
	• I. Magnin	309,700	26	319,000	26	+ 3.0
	• Filene's Basement	188,800	15	212,800	17	+ 12.7
	• Goldsmith's	164,000	6	169,100	6	+ 3.1
	• The Children's Place	135,900	139	158,700	158	+ 16.8
	• MainStreet	9,000	3	50,300	9	+413.3
7	F. W. Woolworth (N.Y.)	5,727,000	5,589	5,958,000	5,822	+ 3.9
	• U.S. Woolworth	1,906,000	1,210	1,943,000	1,194	+ 1.9
8	Montgomery Ward (Chicago)	6,495,000	366	5,383,000	315	– 17.1
9	May Dept. Stores (St. Louis)	4,662,000	1,864	5,079,000	2,074	+ 8.9
	• Venture	832,000	57	1,065,000	62	+ 13.0
	• May California	776,000	34	784,200	35	+ 0.4
	• Volume Shoe	643,450	1,662	696,700	1,857	+ 28.2
	• Hecht	618,000	23	667,000	23	+ 0.4
	• Famous-Barr	436,100	16	468,500	17	+ 5.6
	• Kaufmann's	412,700	19	423,000	18	+ 2.7
	• May-Cleveland	223,100	10	238,000	10	+ 0.9
	• G. Fox	191,400	8	219,100	8	+ 14.6
	• Meier & Frank	205,000	7	212,200	7	+ 2.1
	• O'Neil's	163,000	10	175,400	10	+ 7.6
	• May D & F	173,000	12	171,900	11	– 0.9
	• May-Cohen's	68,000	6	73,500	6	+ 8.7
10	Melville (Harrison, N.Y.)	4,261,827	5,293	4,774,000	5,574	+ 12.0
	• Marshalls	1,199,598	209	1,324,378	236	+ 11.3
	• Kay Bee Toys & Hobby	346,959	533	401,107	584	+ 15.6
11	Associated Dry Goods[3] (N.Y.)	4,106,045	333	4,365,019	346	+ 6.3
	• Caldor	1,254,000	103	1,337,000	109	+ 6.6
	• Lord & Taylor	695,000	42	750,000	44	+ 7.9
	• J. W. Robinson (Calif.)	520,000	21	560,000	22	+ 7.7
	• Loehmann's	308,000	72	330,000	81	+ 7.1
	• L. S. Ayres	375,000	25	410,000	25	+ 9.3
	• Horne	185,000	13	200,000	13	+ 10.8
	• Sibley	190,000	14	200,000	14	+ 5.3
	• Denver Dry Goods	145,000	12	155,000	12	+ 6.9
	• Hahne	120,000	8	125,000	8	+ 4.2
	• Goldwaters	112,000	9	125,000	9	+ 11.6
	• Robinson's (Fla.)	94,000	7	110,000	9	+ 17.0
12	R. H. Macy[3] (N.Y.)	4,065,120	96	4,369,400	95	+ 7.5
	• Macy's New York	1,256,500	19	1,335,700	21	+ 6.3
	• Bamberger's	1,200,000	23	1,259,000	23	+ 4.9
	• Macy's California	1,025,000	23	1,102,000	25	+ 13.4
	• Macy's Atlanta	500,000	31	612,100	26	+ 11.3
13	Allied Stores[3] (N.Y.)	3,973,400	597	4,135,827	665	+ 4.1
	• Jordan Marsh (NE)	510,000	17	550,000	18	+ 7.8
	• The Bon	470,000	37	490,000	39	+ 4.3
	• Stern's	390,000	17	420,000	17	+ 2.4
	• Joske's	430,000	28	410,000	27	– 4.7
	• Maas Bros.	320,000	19	340,000	21	+ 6.3
	• Jordan Marsh (Fla.)	260,000	15	270,000	16	+ 3.8
	• Brooks Bros.	220,000	47	230,000	50	+ 4.5
	• Donaldsons	120,000	9	140,000	15	+ 33.3
	• Bonwit Teller	148,000	15	160,000	15	+ 7.1
	• Pomeroy's	144,000	15	145,000	15	+ 3.8
	• Miller & Rhoads	130,000	22	135,000	21	+ 3.8
	• Garfinkel's	110,000	13	110,000	10	N/C
	• Millers	100,000	13	105,000	13	+ 5.0
	• Read's	160,000	6	160,000	6	+ 5.0
	• Block's	90,000	11	95,000	11	+ 5.6

$22.7 million loss.

Across the board, earnings are expected to be down or flat for the first quarter for most companies, though retailers such as J. C. Penney reported a 26% profit improvement.

For the remainder of the year, retailers are waiting for consumers to pay off a heavy installment debt load and to take advantage of lower oil prices and the potfull of money available from the surge in home refinancings.

If they do, Christmas will be more than a time to cut selling prices in panic, as the season has developed into during the last few years. Retailers are hoping they, too, will get some holiday cheer this year. □

Top CE chains post record sales

1985 was still another banner year, but 1986 will prove tougher for many.

The top 10 electronics specialty stores combined to take about 17% of the market for home electronics in 1985. Sales for the biggest publicly owned chains rose 21.2% to an all-time high of $6 billion. The year was not without its trouble spots, however, and 1986 will prove to be a tough year for many.

Leviathan Tandy was forced to take its first inventory writedown in the company's history in fiscal 1985, reflecting the extreme volatility of the personal computer market. For the 1986 fiscal year which ends this month, the Radio Shack store operator should rebound nicely and post record sales and earnings, despite weakening sales in recent months.

The outlook for City of Commerce, Calif.-based The Federated Group is less encouraging. In the final quarter of 1985, the superstore operator learned that the only thing worse than not growing enough was growing too quickly.

Earnings in the final quarter of 1985 virtually collapsed to $2.4 million on sales of $122.5 million. The primary cause for the earnings failure was an inventory and distribution system run amok. Gremlins in The Federated Group's distribution network were changing orders for

Top 100 chain stores, 1985

Rank	Company	1984 Sales (000 omitted)	1984 Stores	1985 Sales (000 omitted)	1985 Stores	% Sales change
14	Zayre (Framingham, Mass.)	$3,191,172	850	$4,036,018	985	+ 26.5
	• Zayre	2,195,748	290	2,636,611	337	+ 20.1
	• Hit or Miss/T. J. Maxx	927,268	557	1,142,444	619	+ 24.0
15	Carter Hawley Hale[3] (L.A.)	3,724,294	252	3,277,913	284	+ 6.8
	• Broadway So. Calif.	940,000	40	1,060,000	41	+ 8.4
	• Neiman-Marcus	620,000	21	698,000	22	+ 12.6
	• Emporium Capwell	400,000	22	440,000	22	+ 4.5
	• John Wanamaker's	460,000	16	470,000	16	+ 2.2
	• Weinstock's	250,000	12	270,000	12	+ 8.0
	• Thalheimer	250,000	25	270,000	25	+ 8.0
	• Broadway Southwest	170,000	10	200,000	12	+ 17.6
	• Contempo Casuals	90,000	105	100,000	133	+ 23.5
	• Bergdorf Goodman	80,000	1	85,000	1	+ 6.2
16	Tandy Corp. (Fort Worth)	2,776,495	9,018	2,841,434	9,117	+ 2.4
17	Household Merchandising (Chicago)	2,945,400	N/A	2,801,000	N/A	– 4.9
	• T.G. & Y.	2,045,400	743	1,951,000	700	– 4.6
	• Ben Franklin	900,000	N/A	850,000	N/A	– 5.6
18	Service Merchandise (Nashville)	1,656,902	210	2,526,457	328	+ 52.5
19	The Limited (Columbus)	1,343,134	1,412	2,387,110	2,383	+ 77.7
20	Best Products (Richmond, Va.)	2,252,638	204	2,224,788	213	+ 0.9
21	BATUS[2] (Louisville)	2,030,228	119	2,178,934	134	+ 8.1
	• Saks	540,000	40	595,000	41	+ 5.2
	• Marshall Field	730,000	21	730,000	21	+ 0.0
	• Brenners	155,000	17	163,000	17	+ 1.5
	• Ivey's-Carolinas	120,000	13	125,000	13	+ 7.0
	• Ivey's-Florida	105,000	12	100,000	11	+ 4.0
22	W. R. Grace (N.Y.)	1,918,000	653	2,067,000	695	+ 7.7
	• Herman's	368,000	115	425,000	131	+ 14.1
23	Lucky (Dublin, Calif.)	1,695,700	854	2,000,000	187	+ 3.8
	• Gemco	1,282,000	77	1,338,000	80	+ 3.8
24	Toys "R" Us (Rochelle Park, N.J.)	1,781,700	230	2,070,134	273	+ 16.1
25	Belk (Charlotte, N.C.)	1,850,000	350	1,850,000	350	+ 0.4
26	Mercantile[3] (N.Y.)	1,765,304	78	1,886,437	80	+ 10.1
	• McAlpin's	300,000	9	325,000	9	+ 8.3
	• Gayfers	305,000	12	315,000	11	+ 3.0
	• Jones	185,000	7	195,000	7	+ 5.3
	• Castner Knott	180,000	11	185,000	11	+ 2.9
	• Joslins	165,000	10	185,000	11	+ 12.1
	• Gayfers/Montgomery Fair	140,000	6	150,000	6	+ 7.1
	• Bacon's	130,000	6	140,000	6	+ 7.7
	• J. B. White	120,000	7	90,000	7	+ 8.3
	• Lion	100,000	3	110,000	3	+ 10.0
27	Stop & Shop	1,005,735	203	1,075,625	234	+ 15.2
	• Bradlees	1,434,648	132	1,559,057	188	+ 12.8
	• Almy's	—	—	75,425	19	—
28	Dillard's (Little Rock)	1,277,288	93	1,601,357	101	+ 25.4
29	Fred Meyer (Portland)	1,559,000	90	1,600,000	93	+ 3.2
30	Ames (Rocky Hill, Conn.)	821,985	188	1,512,778	450	+ 84.0
31	The Price Club[2] (San Diego)	426,400	15	1,329,500	21	+ 62.1
32	U.S. Shoe Corp. (Cincinnati)	1,142,579	1,979	1,314,010	2,047	+ 15.1
33	Nordstrom's (Seattle)	968,678	44	1,301,857	52	+ 35.8
34	SCOA (Hills) (Canton, Mass.)	1,240,000	123	1,200,000	125	+ 3.8
35	Petrie (Secaucus, N.J.)	951,186	1,300	1,160,845	1,345	+ 22.1
36	Rose's (Henderson, N.C.)	927,300	197	1,000,200	206	+ 8.0
37	Meijer[2] (Grand Rapids)	900,000	52	1,000,000	55	+ 11.1
38	McCrory Corp. (N.Y.)	916,000	723	964,000	726	+ 7.3
39	Edison Bros. (St. Louis)	785,900	2,300	800,300	2,435	+ 2.9
40	Dylex-U.S. (Toronto)	200,092	821	777,000	1,513	+ 288.3
41	ShopKo (Green Bay)	800,000	49	764,400	59	+ 23.5
42	Carson Pirie Scott (Chicago)	883,000	298	765,862	321	+ 18.8
43	Circuit City (Richmond)	910,214	96	765,400	75	+ 35.9
44	Strawbridge & Clothier[3] (Philadelphia)	636,497	31	666,923	32	+ 3.0
	• Clover	250,000	19	275,000	20	+ 10.0
45	The Gap (San Bruno, Calif.)	518,228	823	647,333	894	+ 24.9
46	Hartmarx (Chicago)	612,100	453	634,000	467	+ 3.6
47	Fedco (Santa Fe Springs, Calif.)	600,000	8	625,000	8	+ 4.2
48	Dollar General (Scottsville, Ky.)	496,514	1,000	604,437	1,278	+ 21.8

15 VCRs scheduled to ship to store No. 50, for example, to 50 VCRs destined for store No. 15.

Though management claims to have driven the gremlins out of its computer, The Federated Group has had historic problems in keeping a lid on SG&A expenses. Now it will have to prove itself in a weaker sales environment. Expansion plans have been cut to 15 new units in 1986, and comparable store volume is running below last year's levels.

Circuit City closed out its year with the abandonment of its last lease-operated departments, once the core of its business. In addition to exiting from Zody's, it closed its struggling New York Lafayette stores in March.

With much of the fat now cut away, Circuit City will face easier earnings comparisons in 1986, but unless same-store sales results firm up, the road will be tougher as the year progresses.

Bucking the trend toward softer sales and profits is New York's Crazy Eddie. In the 1985 Christmas selling season, Crazy Eddie managed to turn a 53% sales gain into a 116% profit increase. Net margins in the fourth quarter rose from 5.1% a year ago to an industry high 7.2% in 1985.

Crazy Eddie's chairman/ceo Eddie Antar continues to define the rules of the game for electronics retailing in New York, and as long as he continues to write all the rules, he probably will play the game best.

Highland Superstores also managed to run against the tide of lower margins, despite the startup costs associated with 10 new store openings in 1985, managed to post net margin increases.

One troubled electronics retailer not on this year's chart is privately owned Pacific, formerly Pacific Stereo.

Pacific's problems may be a harbinger of the future for other electronics specialty chains. For the past six year's, many of the chains have been riding on the crest of a tidal wave of customer buying. As customers begin to curtail their spending for home entertainment products in 1986, the wave will turn into a ripple.

Without the benefit of a free ride from the industry's overall growth, electronics chains will have to face the question: Is management good enough to turn a profit in a more normal retailing environment? □

Top 100 chain stores, 1985

Rank	Company	1985 Sales ($000 omitted)	1984 Stores	1985 Sales ($000 omitted)	1985 Stores	% Sales change
49	Hock's (Charleston, W. Va.)	$ 464,734	125	$ 523,332	166	+ 12.6
50	Jamesway (Secaucus, N.J.)	475,486	85	523,148	91	+ 10.0
51	Alexander's (N.Y.)	517,300	15	520,000	15	+ 0.5
52	Highland (Taylor, Mich.)	350,500	32	520,000	42	+ 48.6
53	Child World (Avon, Mass.)	436,470	104	513,140	119	+ 17.6
54	Cyclops (Pittsburgh)	404,000	117	510,000	131	+ 26.2
	• 3Jio	321,568	97	472,500	120	+ 47.0
55	Gimbels-East	485,000	20	485,000	20	N/C
56	Pamida (Omaha)	448,857	160	476,100	180	+ 5.9
57	Woodward & Lothrop (Washington, D.C.)	461,294	16	470,483	16	+ 4.2
58	Interco (St. Louis)	545,322	283	461,322	248	- 15.4
59	General Mills (Minneapolis)	373,000	90	456,000	111	+ 22.0
60	C. R. Anthony Co. (Oklahoma City)	416,367	279	415,933	272	+ 0.1
61	Bergner's (Peoria, Ill.)	225,000	25	415,000	32	+ 84.4
62	Consumers Distrib.-U.S. (Edison, N.J.)	430,553	160	414,553	149	- 7.0
63	Family Dollar (Charlotte, N.C.)	340,919	785	410,000	920	+ 20.3
64	Howard Bros. (Monroe, La.)	376,000	90	400,000	87	+ 6.4
65	Schottenstein Stores (Columbus)	365,628	35	392,402	36	+ 10.4
66	Channing Shoppes (Bensalem, Pa.)	297,329	444	391,630	550	+ 31.7
67	Ross Stores (Newark, Calif.)	218,569	66	375,945	107	+ 76.6
68	Federated Group (City of Commerce, Calif.)	229,799	43	363,039	59	+ 58.2
69	Duckwall-ALCO (Abilene, Kan.)	363,000	158	362,000	158	- 0.3
70	Elder-Beerman (Dayton)	311,028	232	352,085	236	+ 13.1
71	Burlington Coat Factory (Burlington, N.J.)	302,000	68	343,113	76	+ 13.6
72	Bealls (Jacksonville, Tex.)	317,530	135	335,812	141	+ 7.0
73	Hess's (Allentown, Pa.)	273,500	32	330,700	40	+ 20.9
74	S E Nichols (N.Y.)	302,700	43	317,200	44	+ 4.8
75	Oshman's (Houston)	304,416	192	312,201	211	+ 2.6
76	Spencer Gifts (Pleasantville, N.J.)	318,536	457	295,577	497	- 4.8
77	Prange (Prangeway) (Green Bay)	267,413	74	286,000	82	+ 6.6
78	OTASCO (Tulsa)	303,000	284	285,000	268	- 5.9
79	House of Fabrics (Van Nuys, Calif.)	276,256	740	280,743	730	+ 3.1
80	Higbee (Cleveland)	263,907	11	260,770	11	+ 6.4
81	Pic 'N' Save (L.A.)	235,147	90	276,872	94	+ 16.3
82	Jacobson Stores (Jackson, Mich.)	249,000	19	275,000	20	+ 14.5
83	D. H. Holmes (New Orleans)	271,861	15	272,519	17	+ 0.4
84	Kohl's (Brookfield, Wis.)	245,000	34	265,000	39	+ 8.2
85	Crazy Eddie (Brooklyn, N.Y.)	167,147	15	262,283	23	+ 56.9
86	Cook's United (Maple Heights, Ohio)	311,000	53	256,979	50	- 17.4
87	Boscov's (Reading, Pa.)	221,000	10	250,000	11	+ 13.1
88	Lionel Leisure (Philadelphia)	225,630	52	246,075	56	+ 9.3
89	B. Altman ((N.Y.)	225,000	7	240,000	7	+ 6.7
90	Fabri Centers (Cleveland)	225,937	784	233,153	765	+ 2.7
91	Liberty House (Honolulu)	207,517	50	228,622	48	+ 10.2
92	Frederick & Nelson	242,000	15	226,000	15	- 6.6
93	Godschaux/Maison Blanche (Baton Rouge)	207,000	7	218,000	7	+ 4.3
94	Syms (N.Y.)	204,281	14	215,166	15	+ 5.3
95	Fretter (Livonia, Mich.)	110,458	27	214,294	39	+ 94.0
96	Costco[2] (Seattle)	97,925	12	211,220	21	+115.7
97	Ohrbach's (N.Y.)	200,000	12	210,000	12	+ 5.0
98	Pier I Imports (Fort Worth)	173,488	264	203,030	308	+ 17.0
99	Sprouse-Reitz (Portland, Ore.)	182,606	317	202,783	322	+ 11.0
100	McRae's (Jackson, Miss.)	157,000	14	180,000	15	+ 19.2
	Totals	$170,737,500	55,961	$195,423,882	56,696	+ 9.3

Divisional totals are not duplicated in the tabulation of general merchandise chain totals.
[1]Excludes credit.
[2]Excludes food/supermarket sales.
[3]Divisional sales estimated.
Source: *Chain Store Age* research/annual reports.

The best bets for Christmas 1986

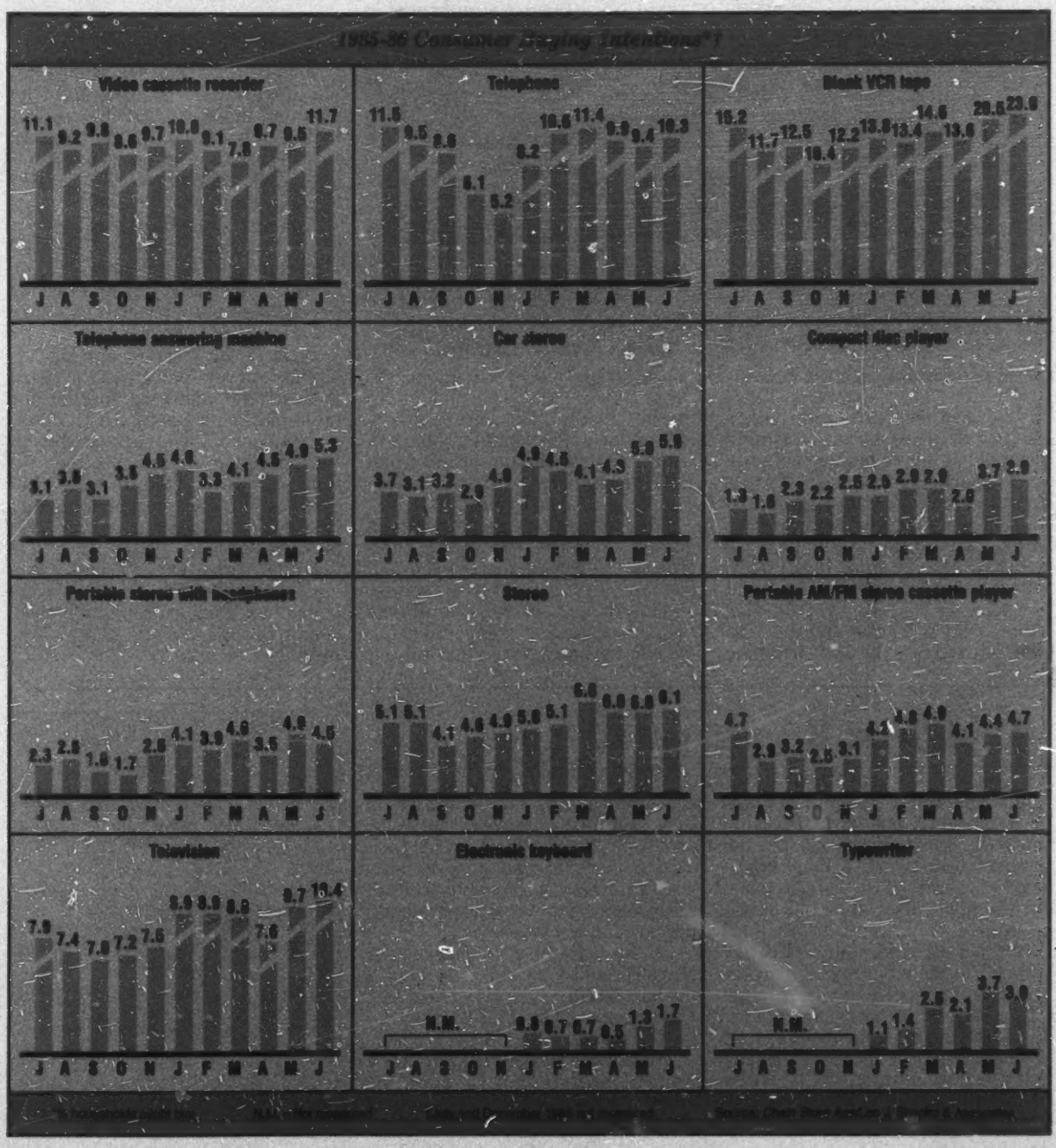
The VCR cash cow is not running dry, but the industry's growth over the next 12 months will have to come from other categories. The best bets: compact disc players, telephone answering devices and car stereos.

According to the latest MarkeTrends poll, consumer intent to buy a video cassette recorder sometime within the next 12 months is a mere 5% ahead of last year's totals.

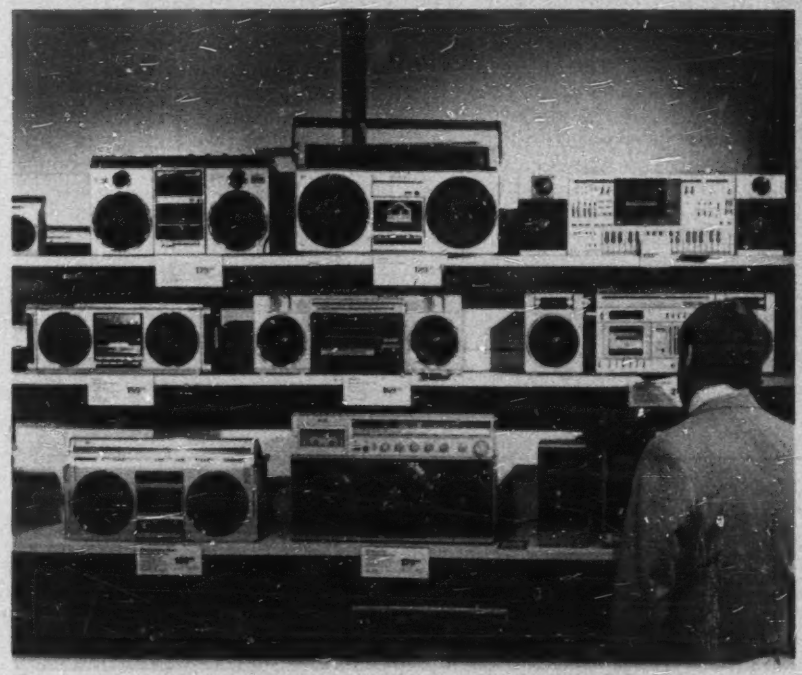
However, CD players, telephone answering machines and car stereos all are recording the highest levels of customer interest in the history of the survey. The number of households reporting they expect to buy a compact disc player is 117% ahead of last year's totals. For telephone answering devices, the survey indicates a 71% gain, and for car stereos a 60% hike.

The telephone market, meanwhile, continues to show signs of potential weakness. Compared to figures in the June 1985 survey, consumer intent to buy is down 10% in the current MarkeTrends poll.

Despite the proliferation of pastels, customer plans to buy boom boxes in the next 12 months are exactly equal to the intentions they expressed in the survey a year ago.□



Boom box market base is women



Fewer men are buying boom boxes as the market shifts toward women.

The customer for boom boxes has changed, but he—or more accurately—she is not growing the overall market. In the latest MarkeTrends survey, the number of households reporting they expect to buy a boom box in the next 12 months is exactly equal to the number who said they planned to buy a year ago.

Just who is buying continues to take on a more distinct feminine profile. In the most recent study, 60% of those who bought a boom box within the last 12 months are women. This compares to a 55.5% female customer base last year.

With women now dominating the market, vendors are upping their efforts to include more color and fashion. In view of the MarkeTrends data, however, the efforts are not succeeding in expanding the market for boom boxes, but rather, are keeping unit sales from dropping.

How much do you expect to pay for a boom box?

$51-$99	13.2
$125-$149	5.3
$200-$299	10.5
$400 and over	18.4

The poll does provide a glimmer of hope for growing the market. On the average, those who say they expect to buy a boom box in the next 12 months say they intend to pay a median $120. This compares to the $77 spent by those who bought last year.

Among those who expect to buy a boom box this year, Sony (30.8%), Panasonic (15.4%), Fisher (7.7%), General Electric (7.7%), and various private label store brands (7.7%) are the consumer's top choices.

In fact, the most recent MarkeTrends survey indicates that there is a strong emerging market for high-end boom boxes. In the poll, nearly 1 out of 5 who expect to buy in the next year report that they intend to pay over $400. Just over 1 in 3 of the survey's respondents say they intend to spend more than $200 (see chart).

Higher price expectations are a good portent for both CD player-boom box combinations and more recently introduced television-boom box combos. □

CD players: K mart out of tune

While other discounters are carving out a respectable and early share of the market for compact disc players, K mart's half-hearted testing of the category has left the giant discounter out of the action.

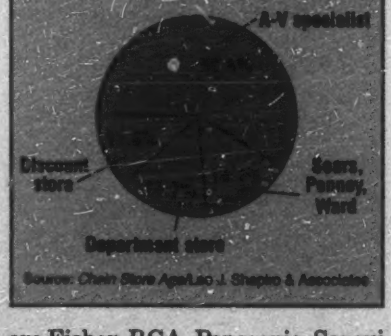
In the most recent MarkeTrends survey, discount stores take an 11.8% unit share of the market for CD players in the last year. K mart's timidity about committing to the category, however, means that the discounter has let its rivals gobble up all the profits.

Also cashing in on the rapid rise in consumer buying are Sears, which sold 8.8% of CD players last year, and Montgomery Ward, which took a 5.9% share, according to the survey. Both mass merchants took an early, and often price promotional, posture in the category.

On the average, consumers in the MarkeTrends poll say they paid a median $295 for their CD player this year, compared to the $400 they reported paying in the May 1985 poll.

The survey respondents say they bought Sony (27.6%), Pioneer (13.8%) and Technics (13.8%) with the greatest frequency. Following

Where did you buy your CD player?



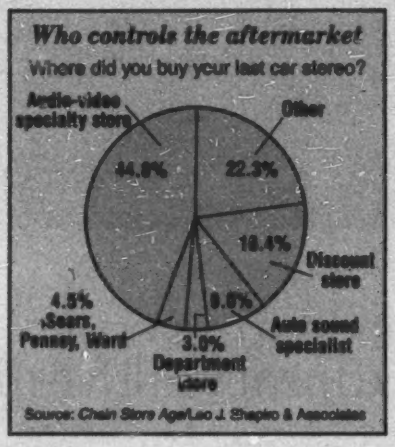
Source: Chain Store Age/Leo J. Shapiro & Associates

are Fisher, RCA, Panasonic, Sansui and various private label store brands. □

Car makers want to call the tune

New car manufacturers—both foreign and domestic—are turning up the heat in a battle for auto sound market share. For the 1985 model year, 91.1% of domestic cars and 68.4% of imports arrived at the dealer with factory installed audio equipment, according to *Ward's Automotive Reports*. This compares to 83.2% for U.S. manufacturers and 46.8% for foreign car producers in the 1978 model year.

The auto makers are responding to a growth in consumer demand for



car audio and are trying to capitalize on their first line position with the customer. MarkeTrends polling reveals a 60% jump in consumer intent to buy in the last 12 months alone.

What the auto manufacturers and their dealers know is that factory installed audio systems give them the edge in capturing sales. Gains in factory installed car audio is unsettling news for aftermarket retailers who are left the unpleasant task of convincing the new car owner to junk the system which came with the car.

Aftermarket sales account for about half of all sales in the $4 billion car audio retail market. According to the MarkeTrends survey, a-v specialists take the greatest share of the aftermarket, selling 44.8% of all units in the last year. Next are discount stores (16.4%), car audio specialists (9%), catalog showrooms (4.5%) and Sears (3%).

Consumers in the poll report buying Pioneer (12.8%), Sony (10.3%), Kenwood (10.3%) and Sanyo (7.7%) with the greatest frequency. □

The color purple

Not the motion picture—it easily could have been the color red or yellow or green. Better yet, it could have been a pastel shade.

It is no news to anyone in the consumer electronics industry that color and fashion are taking a greater role in marketing and merchandising plans. The first glimmer of color peeked through the mass of battleship gray 18 months ago in small audio.

At first glance, color looks like a good idea. Most importantly, the customer likes it. It has breathed new life into some maturing product categories. As a merchandising tool, it adds excitement to displays and probably increases the number of impulse purchases.

So what is wrong? Radio Shack president Bernard Appel put it this way: "Nobody is smart enough to know which colors will sell, and which ones won't."

A number of vendors, with nightmares of warehouses brimming with lime green boom boxes, are trying to hedge their bets and reduce their own risk. The problem is that they are trying to shift the risk back onto their retail partners.

Here is how they are doing it. A typical buying program for one major vendor, which markets a particular product in five different colors, requires that on the first order the retail buyer commit to all five colors. On the first reorder, the buyer need commit to only three colors. For any further reorder, the buyer may cherry pick the line.

The net effect is this: If lime green boom boxes turn out to be this year's retailing lemon, at least some of the excess inventory winds up in the retailer's warehouse, not the vendor's.

Is this fair? Yes, vendors tell you. Partnership between manufacturer and retailer involves assumption of both the risks and the rewards. In addition, buying programs, such as the one outlined here, still lay most of the risk in the vendor's lap, not the retailer's.

Manufacturers are also quick to note that the buying program is not unlike those typical in apparel, another business where the customer's sometimes fickle tastes must be factored into the buying and selling equation.

This is nonsense. A quick comparison shows why. If an apparel buyer were to work off a 30 point margin, no less the more likely 25% an electronics buyer gets, the apparel business would soon go bankrupt.

If fashion is to become a long-term factor in the electronics industry, retailers and their sources will need to work out some other, more equitable, arrangements. Buyback plans are the most sensible.

They would, of course, put a premium on buying color and fashion. But in a low margin business, the customer who wants fashion will have to be taught that color is a feature which must be paid for. Otherwise, the profitability of fashion will be short lived.

Eliminating more rigid buying plans also will put buying decisions back into the hands of the person closest to the customer. The retail buyer is aware of local market idiosyncracies which no vendor will ever know.

Case in point: A Sanger Harris unit in Fort Worth will sell just about anything it can get its hands on if it is lavender. The reason—the store is located near Texas Christian University where one of the school's colors is lavender. Not exactly the color purple, but close enough.

—Rick Gallagher

Housewares ahead by a nose

Nine gains and three losses lit this month's housewares scoreboard. Of the dozen products tracked by *Chain Store Age* MarkeTrends, three-quarters were higher on consumers' shopping lists than they were the month before.

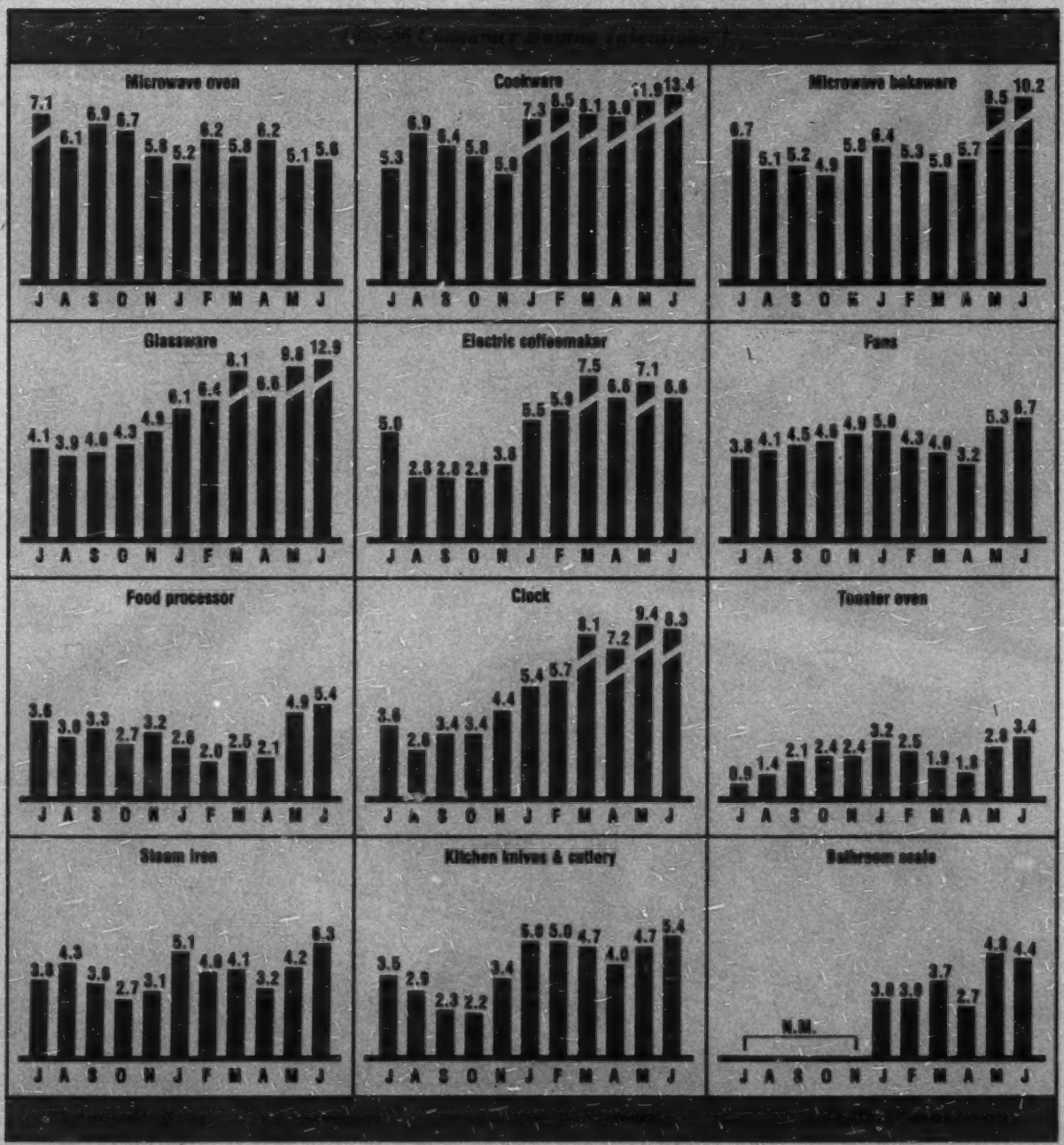
But not all the winners won strongly. Buying intentions for microwave ovens barely squeaked past last month's at the finish line. The 10% uptick failed to boost this category to the heady heights of late 1985.

For cookware, however, a modest gain meant a new record. With 13.4% of the households surveyed reporting interest in cookware (compared with only 5.3% a year ago) consumers seem ready to get into the kitchen and rattle those pots and pans.

Steam irons drew 50% more interest than last month, taking first place in buying intention gains. B&D will be probing a hot market with its new "G.E. irons are now Black & Decker" ad theme.

Fans whirred up to record levels, and food processors kept climbing. Bathroom scales showed an 8% loss.

Other losers were coffeemakers and clocks, but their slippage was slight. □


Microwave oven
7.1 6.1 6.9 6.7 5.8 5.2 6.2 5.8 6.2 5.1 5.8
J A S O N J F M A M J
Cookware
5.3 6.9 6.4 5.8 5.0 7.3 8.5 8.1 8.0 11.9 13.4
J A S O N J F M A M J
Microwave bakeware
6.7 5.1 5.2 4.9 5.8 6.4 5.3 5.8 5.7 8.5 10.2
J A S O N J F M A M J
Glassware
4.1 3.9 4.0 4.3 4.9 6.1 6.4 8.1 6.6 9.8 12.9
J A S O N J F M A M J
Electric coffeemaker
5.0 2.8 2.8 2.8 3.8 5.5 5.9 7.5 6.6 7.1 6.6
J A S O N J F M A M J
Fans
3.8 4.1 4.5 4.6 4.9 5.8 4.3 4.0 3.2 5.3 5.7
J A S O N J F M A M J
Food processor
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J A S O N J F M A M J
Clock
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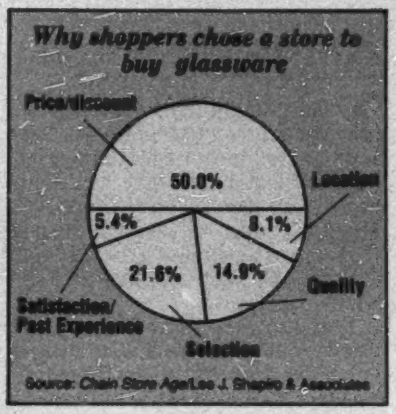
J A S O N J F M A M J
Toaster oven
0.9 1.4 2.1 2.4 2.4 3.2 2.5 1.9 1.8 2.8 3.4
J A S O N J F M A M J
Steam iron
3.8 4.3 3.8 2.7 3.1 5.1 4.8 4.1 3.2 4.2 5.3
J A S O N J F M A M J
Kitchen knives & cutlery
3.5 2.9 2.3 2.2 3.4 5.0 5.0 4.7 4.0 4.7 5.4
J A S O N J F M A M J
Bathroom scale
N.M. 3.0 3.0 3.7 2.7 4.8 4.4
J A S O N J F M A M J

Glassware shoppers go for the flash

Consumers want a large assortment at promotional prices.



When it comes to glassware, consumers stalk big selections and low prices. The hunt usually takes them to the discount stores.

According to *Chain Store Age*/MarkeTrends research, discounters can expect continued traffic in the glassware aisles. Results show that 39% of households in the market for glassware have their sights set on discount stores.

That is no surprise, considering that 38.7% of glassware shoppers plan to spend $10 or less. And they probably will succeed at that. Their price expectations closely match amounts actually paid by last year's purchasers. Nearly 37% of that group found what they wanted for under $11.

Consumers have done an about-face since April 1985, when MarkeTrends found them poised to upgrade. At that time, a mere 28% named $10 and under as their browsing range. For 31.2%, $11 to $35 seemed reasonable.

But by September 1985, when the category was tracked again, rock-bottom-priced glassware had won more favor. The latest research indicates that it is firmly entrenched.

Yet consumers want to find broad assortments beneath promotional price signs. Slightly more than one-quarter of glassware shoppers say selection will determine their choice of store.

Interestingly, only 3.2% of the buying-intention group express interest in quality. As vendors offer low-priced beverageware splashed with colors in swirls and spirals, the product may increasingly be perceived as a "fun," throwaway item.

The low end may also get a boost as acrylic tumblers and pitchers proliferate in partyware displays. Compared to those "semidisposables," even $10 glassware seems luxurious. □

Bath scale prices gain weight

Bathroom scales have gotten sleeker through electronics, but they can bear heftier price tags. According to *Chain Store Age*/MarkeTrends research consumers interested in buying a scale are ready to pay $25, $30, even $50.

At least that is true of 50% of the survey respondents describing themselves as potential next-year buyers. That portion of the group expects the tab to fall between $21 and $99. Remote readouts, programmability, and other new features have launched a once ho-hum product into the space age. Perceived value has flown along with it.

But a big chunk of both potential and actual purchasers want their scales simple. Exactly one-half of the intending-to-buy group name $20 as their wallets' upper limit for this item. They will probably find the scale they want in that range—nearly 57% of last year's purchasers did.

The underside of $20 might buy an analog scale, or a modest digital model with LED readout on the base. But consumers wishing to read their weight without bending over will have to expend more effort at the cash register.

Even if half the market is balking at the fanciest bells and whistles, that leaves an equal number ready to bite. The challenge for vendors and retailers will be to keep interest hot at the high end. *CSA*/MarkeTrends found 21.2% of potential shoppers ready to spend $36 to $99. But when they got to the stores, only 14.4% actually paid that much.

The recent survey results suggest that department stores could nab more of the scale business. A little more than one-third of consumers with buying intentions plan to get their scales from discounters, while a slightly larger percentage think they will shop department stores.

Far fewer actual purchases took place at department stores: 13.4% compared with the discount stores' 35.1%. □

How much would/did you pay for a bathroom scale?

	Might buy	Bought
Under $10	18.2%	18.1%
$11-$15	13.6	19.3
$16-$20	18.2	19.3
$21-$25	10.6	10.6
$26-$30	12.1	10.6
$31-$35	6.1	6.0
$36-$50	10.6	9.6
$51-$99	10.6	4.8

Source: Chain Store Age/Lee J. Shapiro & Associates

Knives clash in market share war

Those "eight-in-one" knives advertised on late-night TV have supplied fodder for countless jokes. But the last laugh may belong to their marketers. *Chain Store Age*/MarkeTrends research indicates that consumers looking for knives or cutlery will shop anywhere to get what they want.

If the trend continues, the airwaves could do as well as the Big 3. Of the households reporting knife/cutlery purchases in the past year, a scant 8.1% shopped Sears, Penney or Ward. In comparison, 12.2% got their knives by mail order.

Discounters and department stores fared better, but not by much. Each nabbed approximately one-fifth of the past year's purchases. That just about matches the combined market share of specialty stores (12.2%) and supermarkets (6.8%).

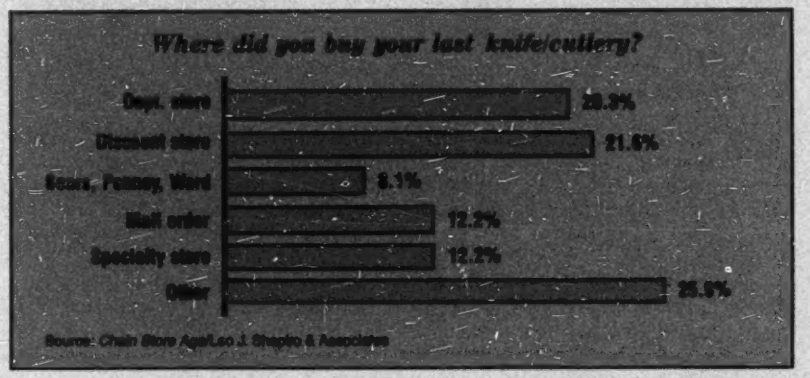
Factory outlets, catalog showrooms, even private-party transactions accounted for a significant portion of the business. A full 50% of the market fell to the control of specialty or unconventional retailers.

But that is not where consumers intend to buy their knives. Survey results indicate that the large chains may be disappointing their customers. Department stores and discount stores sound attractive to households planning to buy knives in the next 12 months. The two major retailer categories drew 37.9% and 34.5% of the store-preference mentions, respectively. Slightly more than 10% of potential buyers said they would head for the Big 3.

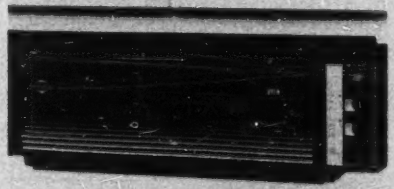
Detours are taken along the way, apparently. And not because of price alone. A meaningful 18.1% of those who actually bought knives named selection as their main reason for buying where they did. Nearly 7% cited quality as their criterion.

In contrast, only 45.8% of last year's purchasers listed price as their principal determinant. That is lower than many of the other products tracked in MarkeTrends.

Consumers appear to be saying that they will only buy the kind of knife or cutlery they are looking for. Moreover, they want it to work. Retailers unwilling to provide selection and quality face competition on all fronts. They may have a serious knife fight on their hands. □

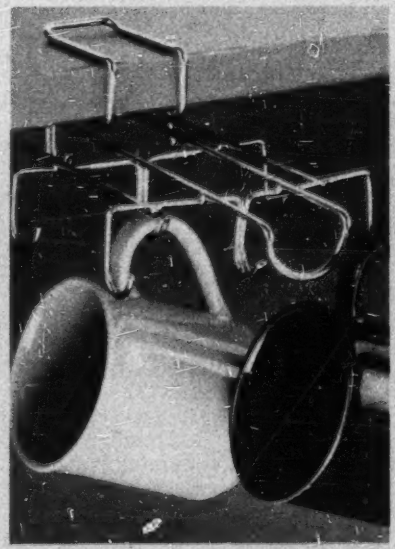


Unlike other toaster/ovens, the new West Bend Oven-Up toaster/oven/broiler features a unique two-position design. For superior tasting, the unit has a compact position.

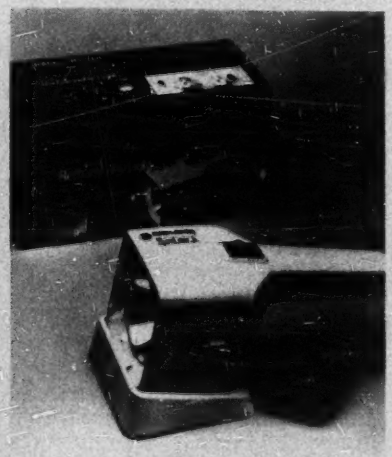


Turn the side handles and it expands for baking, roasting and broiling. Other features include electronic sensing; removable oven panels, rack and hinged crumb tray; and three control knobs. *(The West Bend Co. 400 Washington St., West Bend, Wis. 53095.)*

Selfix Inc.'s Sliding Mug & Cup Organizer provides an easy way to expand storage space by holding six mugs or nine cups. Made of Dura-Plated Steel, the unit attaches easily without screws or tools: Slip the self-mounting clip over the edge of a shelf and secure the Selfix tape tab for extra security. *(Selfix Inc., 4501 W. 47th St., Chicago, Ill. 60632.)*



Black & Decker introduces the new cordless rechargeable SpotLiter Jr. It has the same high quality as Black & Decker's popular SpotLiter, but features a compact design and abbreviated base. It weighs just 1.25 lb. and is less than 9 in. long. *(Black & Decker, U.S. Household Products Group, 1285 Boston Ave., Bridgeport, Conn. 06610.)*



That kind of exposure spreads slowly, however, and it leaves the product smacking of associations with illness. Advertising is essential say retailers, and the need for co-op is acute.

The cooperative advertising allowance is fast becoming an endangered species in domestics. Major mills such as Springs and Wamsutta recently announced plans to withdraw co-op dollars.

However, most comfort/health products are manufactured by smaller players. Many of them know they must dangle co-op programs to get into the store.

In fact, local newspaper ads currently play the major role in elevating these products from the word-of-mouth underground. It is even possible that a nationwide flood of Sears circulars could turn comfort bedding into a household word. But though the No. 1 retailer will add two sku's to its catalog line-up, including an all-wool mattress pad, it has no plans to put them in stores.

Vendors are trying their darndest, but most lack the deep pockets for national advertising. Span-America, whose main business is hospital supply, was able to support the Sleep Cloud with regional ads only.

Luke of Span-America throws the ball back into the retailers' court. The comfort items demand "a total marketing and merchandising job," he says. He makes no claim that the products will move by themselves.

Span-America does provide co-op allowances. For some chains, that has made a difference.

"Basically, when we run an ad, we sell it," says buyer Bill Lyles about the Sleep Cloud. Lyles buys domestics for ZCMI, a Salt Lake City-based department store chain. Without ads, he says, "Customers don't come in the store looking for it." He keeps price points sharp: $25 for a twin.

Advertising is not a cure-all, however. A Midwest retailer finds her customers looking askance at wool mattress pads for summertime. "It should be a year-round item, but isn't yet," she says. "I just ran an ad, and it didn't do anything."

At Bullock's, however, buyer Rouzan finds that wool mattress pads priced at $70 in twin size "are a real easy sell."

"A lot of expensive cars have seats made of wool," says Rouzan, "and there are more expensive cars in California than anywhere else." That, she explains, is why Californians understand that a wool mattress pad keeps them warm in winter but cool in summer.

Whether it is through breaking an arm or driving an Audi, consumers slowly are becoming aware of comfort/luxury bedding. The category still requires commitment, ad dollars, and—in many cases—patience. Neiman-Marcus, for one, got tired of waiting. When wool pads failed to sell, Neiman's bailed out.

Volume is also low at ZCMI, but the Utah chain remains committed. Says buyer Lyles, "The [domestics] business has been somewhat static. This is a totally new angle." □

Domestics show continued growth

Fresh breezes are blowing through bed and bath, according to the latest *Chain Store Age* MarkeTrends survey. Buying intention increased in all six domestics categories for the second consecutive month.

Unfortunately, the gains over the previous month were slight. Consumer interest reached record heights for all products except curtains/drapes. But in some cases, peaks were really plateaus.

Pillows, for instance, reached a high water mark. However, they were at almost the same level back in January. Nearly 7% of the households surveyed said they would shop for pillows in the next 12 months. That is an improvement over last month's results, but not enough to revive the category.

Bath towels also were dubious winners. The latest survey finds buying intentions rising, but hardly soaring. Slightly less than 14% of the households surveyed plan to buy a towel in the coming year. In comparison, 26.8% reported actual purchases in the past 12 months.

Twice the number of towel browsers can be expected to convert to purchasers. But that still will leave the category in a no-growth situation. Vendors predict that new jacquards and embellishments will help.

A more promising note was struck by sheets and pillowcases. With 16% of the survey's respondents counting themselves as potential next-year purchasers, and nearly 6% of those in the active market, the outlook seems good. The recent emphasis on thread count and cotton content may be spurring upgrade movement.

Blankets and tablecloths continue climbing. So do curtains/drapes, but in a hollow victory. Consumer buying intention for soft window treatments remains below March levels. Mini-blinds, recently fortified by new ad campaigns, threaten to leave soft treatments in the shade. □

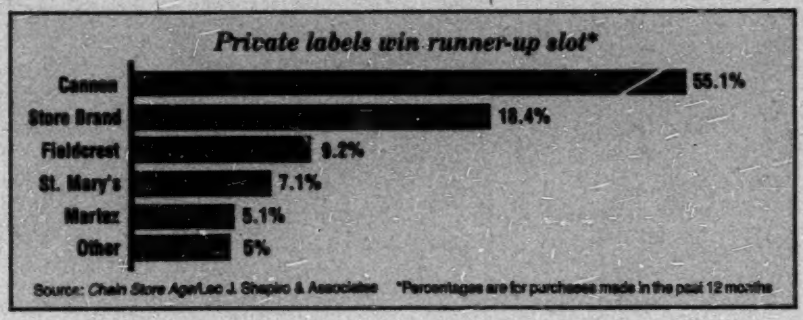
Sears wipes up with towel sales

Towels have a way of leading themselves to nice presentations. Stacked up, they make colorful eyefuls even in down-and-dirty discount stores.

It seems a waste, considering that most shoppers buy them on price. That is the verdict of the latest MarkeTrends survey, revealing that nearly 60% of towel purchases made in the past 12 months were price-driven.

And why not, when retailers continue sparring in round after round of towel promotions? Mills still withhold prestigious labels from certain trade classes. But customers seem to care more about the price tag.

The result is a three-way market share split. MarkeTrends found that nearly equal portions of the past 12 months' towel business went to discounters and department stores. Their shares were 29.6% and 26.5%, respectively.



Edging both out were the Big 3, with their 33.9% grip on the market. Sears flexed most of the muscle. The nation's No. 1 retailer nearly matched all department stores combined, gulping one-fifth of the total pie. Penney's share was 11.1% and Ward's was 2.6%.

To grab that much market, Sears had to court shoppers headed for the discount stores. According to the survey, 34.2% of households with buying intentions think they will line up at discounters' registers. By comparison, 16.2% have Sears in mind.

But Sears proves more seductive than that. Its Open Home merchandising strategy could deserve some of the credit.

Also, the lid may have blown off the private-label cover. While Cannon still rules towels, accounting for 55.1% of actual purchases, store brands came in second. Consumers may be learning that their favorite mills make Big 3 towels.

Department stores also bit into the discounters' business. Less than 22% of the intending-to-buy group plan to shop department stores, but 26.5% of actual purchases were made there.

Discounters need to prevent shoppers' plans from going awry, research indicates. As margins on towels slip, the only way to win is through dominance.

The brand-name deck was reshuffled lightly since March, the last time MarkeTrends tracked towels. Then, as now, Cannon was the choice of more than half the actual purchasers. Fieldcrest doubled its share, now winning 9.2% of the brand mentions, compared to 4.5% three months ago. St. Mary's also proved more popular this time, boosting its share from 1.5% to 7.1%. □

The pillow trade-up is not yet firm

How to prod consumers to replace their pillows? A short while ago, natural fills seemed to be the magic solution. That may turn out to be half right.

A half-natural, half-synthetic combination seems to be working well for J. C. Penney. The mass merchandiser stocked most of its stores with a mixed-fill pillow in late '85. By March of this year, *Chain Store Age*/MarkeTrends showed Penney grabbing an impressive 15% of the market.

And the chain is still holding tight, the most recent survey reveals. Slightly more than 13% of households that purchased pillows in the past year shopped Penney's. That is just a slight decline from the March results.

In general, the Big 3 loom large in the minds of those with pillows on their shopping lists. Nearly 18% of households with buying intentions expect to end up in Penney, 7.1% single out Ward, while 5.4% have Sears in their plans.

How much did/do you expect to pay for a pillow?

	Might	Did
$11-$20	24.0	29.1
$36-$50	14.0	11.8

Source: Chain Store Age/Leo J. Shapiro & Associates

Some will probably re-route. Judging by the consumers who actually purchased pillows in the past year, Sears will get somewhat more share, while Ward's will get less. But the Big 3 formed a solid front, controlling 27.6% of the market.

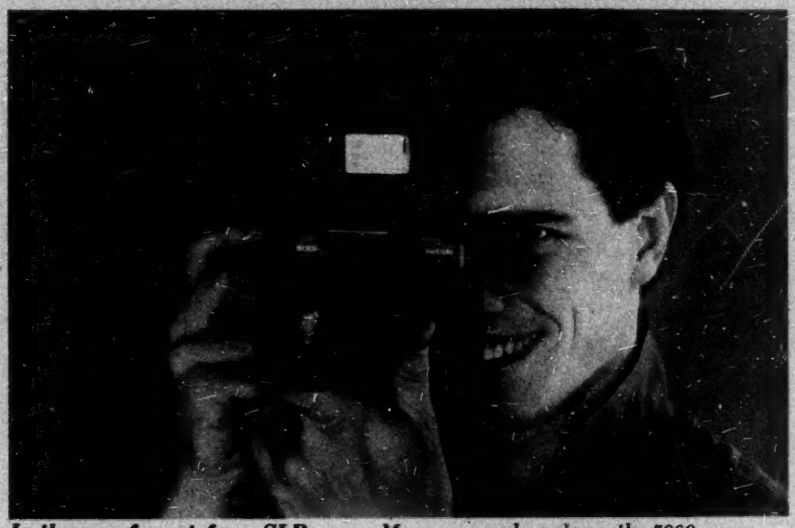
That is despite the fact that both potential and actual customers describe their store preference as price-driven. Yet discounters rang up only 29% of last year's purchases, topping department store share by just a hair.

MarkeTrends reveals that consumers can be coaxed up to down—but not too far along the high end. In the reverse of the usual pattern, shoppers spend more than they had planned. For instance, only 14% intend to pay between $36 and $99 for a pillow, but nearly 20% actually did.

However, the shock of encountering current pillow prices could be steering customers to the middle road of the Sears, Penney, Ward group.

In the Sears centennial catalog, for instance, "two-fer" promotions offer a feather pillow for $16 and a feather/down combo for $24.

The Penney and Sears catalogs also make strong statements in the emerging "posture pillow" category. □



In the race for autofocus SLRs, even Maxxum made a clone, the 5000.

SLR market warriors get tough

Minolta is boasting that Maxxum's phenomenal first year success has already accomplished one of the product's initial marketing goals—wresting first place for SLR sales away from archrival Canon.

Though MarkeTrends polling indicates that Minolta's claim may be just a tad premature (the latest survey still shows Canon in the top spot), there is no doubt that autofocus has changed the rules of the game for single lens reflex photography.

Now come the look-alikes. Nikon's N2020, touting an improved autofocus system (and a higher suggested retail—$463 without lens), hit the market in March. That same month, Minolta unveiled its own Maxxum clone, rounding out its line with the new 5000 on the bottom, the original 7000 in the middle and the Professional Maxxum 9000 at the top.

By September's Fotokina show, at least two more camera makers, including Canon, are rumored ready to introduce their own versions of an autofocusing 35mm SLR.

The only problem, admit even Minolta execs, is that the Maxxum phenomenon, while succeeding in grabbing market share gains, has not spurred greater customer interest in SLRs as a category. In fact, Japanese SLR production last year totaled a modest 6.1 million units, compared to a 1981 high of 7.7 million cameras.

MarkeTrends research lends little support to those who think that autofocus will grow SLR sales from snapshot customers trading up to more advanced features.

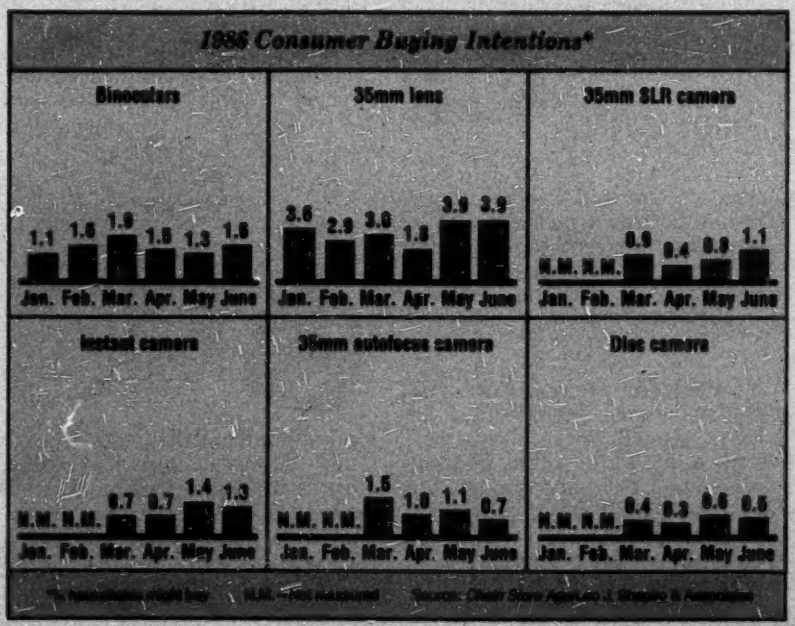
The number of households in the MarkeTrends poll who say they expect to buy a single lens reflex camera in the next 12 months has been riding an up and down roller coaster for the last four months. The number of customers actually in stores shopping for cameras, however, has remained stubbornly even, according to the survey.

While autofocus may become the new standard for single lens reflex cameras, the net effect on industry-wide sales could well be insignificant. Rather, the real effect of the boom in autofocus will be on market share gains—and losses—for the camera manufacturers themselves.

In what is, at best, a mature business, the field of single lens reflex camera manufacturers is overcrowded. If autofocus becomes the standard for SLRs, as now looks likely, some of the weaker competitors could drop out of the business entirely. Startup marketing costs, as well as research and development expenditures, may represent a heavier investment than the potential payoff.

Lens shutter autofocus cameras are another question. With the exception of the June MarkeTrends survey, consumers still seem to prefer the simplicity of lens shutter snapshot technology. For the last four months, the survey reveals that on the average 50% more customers are in stores shopping for lens shutter cameras than are shopping for SLRs.

The best bets for success in a difficult environment, according to the survey, are Canon, Minolta, Nikon and Pentax. When asked what brand SLR camera they expect to buy, nearly 9 out of 10 of the poll's respondents choose one of the top four brands. □


1986 Consumer Buying Intentions*
Binoculars
1.1 1.6 1.9 1.6 1.3 1.6
Jan. Feb. Mar. Apr. May June
35mm lens
3.6 2.9 3.6 1.8 3.9 3.9
Jan. Feb. Mar. Apr. May June
35mm SLR camera
N.M. N.M. 0.9 0.4 0.9 1.1
Jan. Feb. Mar. Apr. May June
Instant camera
N.M. N.M. 0.7 0.7 1.4 1.3
Jan. Feb. Mar. Apr. May June
35mm autofocus camera
N.M. N.M. 1.5 1.0 1.1 0.7
Jan. Feb. Mar. Apr. May June
Disc camera
N.M. N.M. 0.4 0.3 0.6 0.5
Jan. Feb. Mar. Apr. May June
N.M.—Not measured

Dark cloud behind the silver lining

Sales for the 17 retail companies tracked by *Chain Store Age* recorded an 8.5% gain in April, but hidden within the first quarter's best year-to-year monthly comparison were continuing signs of overall weakness.

Some sales gains may have come at the expense of margins. The May Department Store Co. reported volume for its department store division up 7.7% and comparable store results gaining 5.8%. Before a final week promotional blitz, however, its department stores are reported to have been running as much as 8% behind last year's levels.

Among the electronics specialty chains, only Radio Shack operator Tandy managed to squeeze out comparable store gains. Sales for its U.S. stores in operation for more than a year edged up 4% in April. For Richmond, Va.-based Circuit City, same-store volume was equal to a year ago, while City of Commerce, Calif.-based The Federated Group reported comparable-store results down 8%.

Though J. C. Penney and discounter Bradlees both reported strong sales for consumer electronics in April, the broader trend indicates that retailers' five year honeymoon with home entertainment may well be coming to an end. Sales for electronics at Carter Hawley Hale's department stores are down 4% on a comparable store basis for the first quarter.

Other home store departments perked up again in April after a disappointing March. Sears, which reported a 1.7% sales gain for the U.S. Merchandising Group, cited relatively strong increase in both home fashions and appliances.

J. C. Penney reported good results in home store areas, with furniture, bath shop, housewares, small appliances, table top and window treatments showing the strongest sales. For the first quarter, however, Penney's real star was its catalog, which reported volume up 14.9% to $507 million in the first three months.

Despite the uptick in home store sales, overall results in April were modest. While J. C. Penney same-store results gained 7.5%, Sears U.S. operations recorded a meager 1.5% comparable-store increase.

Is April's 8.5% sales gain misleading?

Major chains	April sales* % change	April sales* 1986	April sales* 1985	Stores 1986	Stores 1985	3-mo. sales* 1986	3-mo. sales* 1985	% change
Sears[1,2]	+ 1.7	1,898,900	1,867,607	799	796	5,699,390	5,714,557	– 0.3
Penney[2]	+ 7.8	903,000	838,000	1,904	1,394	2,775,000	2,589,000	+ 7.2
Ward[1,2]	– 1.8	285,500	290,700	293	364	850,700	880,700	– 3.4
Dayton Hudson	+ 8.8	607,800	558,600	1,216	1,146	1,950,000	1,760,000	+10.8
Federated[4]	+ 3.6	583,100	563,200	485	468	1,838,600	1,752,800	+ 4.9
May Dept. Stores	+11.8	389,200	348,100	2,116	1,900	1,183,800	1,066,300	+11.0
Associated Dry Goods	+ 6.6	317,700	298,000	349	336	972,200	915,000	+ 6.3
Allied Stores	+ 6.8	297,600	278,700	667	604	946,700	880,300	+ 7.5
Carter Hawley Hale	+ 4.4	292,000	279,700	296	277	866,800	836,100	+ 3.7
Mercantile	+ 8.7	141,300	130,000	80	79	430,800	397,700	+ 8.3
K mart[3]	+ 2.2	1,708,100	1,670,700	2,182	2,172	5,008,300	4,818,000	+ 4.0
Wal-Mart	+39.2	874,000	628,000	919	770	2,344,000	1,656,000	+41.6
Zayre	+31.0	369,500	282,100	1,001	862	1,093,200	832,200	+31.4
Bradlees	+38.5	126,000	91,000	156	132	371,000	282,000	+31.6
Tandy	+12.0	243,532	217,489	N/A	N/A	749,349	659,595	+13.6
Circuit City	+27.4	53,000	41,600	74	86	153,100	113,700	+34.6
Federated Group	+17.8	25,800	21,900	59	45	87,700	68,900	+27.3
Totals & Averages	+ 8.5	9,116,032	8,405,396	—	—	27,320,639	25,222,852	+ 8.3

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Continuing operations only. [4]Excludes supermarket sales. [5]Store number for K mart stores only.

Allied's same-store figures nosed up 2.7%, while Dayton Hudson reported a 4.4% comparable-store gain.

K mart volume increased a meager 0.7% in April, though the company predicts that profits for the quarter will come in higher. On the heels of K mart's April sales report, however, came Standard and Poor's reduction of its debt ratings.

Citing a high debt incurred to modernize and diversify, Standard and Poor's reduced the ratings on approximately $500 million in senior and subordinated debt.

The debt rating reduction was hardly a ringing endorsement for K mart's upgrading and diversification programs. "While positive results may still be forthcoming," Standard and Poor's said, "there can be little assurance that K mart's expectations will be realized any time soon, since most discount competitors have also been updating and upscaling their stores, systems and merchandise."

Wal-Mart's addition of 18 Sam's Wholesale Clubs in the last 12 months, meanwhile, seems to be paying off for the Bentonville, Ark.-based discounter. Same-store results increased 13% in April and 17% for the first quarter.

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